

Request for Qualifications



City of Killeen, Texas
Sealed statements will be
received for:

FORENSIC AUDIT
RFQ No. 17-04

**Sealed Statements will be received
until 3:00 p.m. on
Friday, November 4, 2016**

Return Statements to:

City of Killeen
Attn: Purchasing Department
207A W. Avenue D
Killeen, Texas 76541

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**NOTICE TO QUALIFIED FIRMS
FORENSIC AUDIT
RFQ NO. 17-04
CITY OF KILLEEN, TEXAS**

The City of Killeen will receive Statements of Qualifications for Forensic Audit until November 4, 2016 at 3:00 p.m. Submittals must be addressed to the City of Killeen, Purchasing Division, 207A W. Avenue D, Killeen, Texas 76541 and shall be plainly marked with the name and address of the proposer and “RFQ 17-04, Forensic Audit”. Submittals received after the closing time will be returned unopened.

The City of Killeen is seeking a response from qualified firms of certified public accountants to examine its administrative and internal controls for the fiscal years 2006 to 2015.

Questions will be accepted by Randy Jimenez at rjimenez@killeentexas.gov through October 28, 2016 at 3:00 p.m. Complete information regarding this solicitation may be obtained from the City of Killeen website (www.killeentexas.gov), Demand Star (<http://www.demandstar.com/>), ESBD (<http://portal.cpa.state.tx.us>), and Ion Wave (<https://killeentx.ionwave.net>). It is the proposer’s responsibility to obtain and acknowledge all Addenda.

The City of Killeen reserves the right to reject any or all submissions and waive any irregularities.

CITY OF KILLEEN, TEXAS

Randy Jimenez
Purchasing Manager

INTRODUCTION

The City of Killeen is soliciting Statement of Qualifications from firms that are interested and qualified to perform a forensic audit for the City.

Statements will be received and publicly acknowledged within the City Hall Council Chambers (located at 101 N. College, Killeen, TX).

The City of Killeen is aware of the time and effort your company expends in preparing and submitting statements to the City. Please advise the City of statement requirements causing your company difficulty in responding to our RFQ. It is the desire of the City of Killeen to make the process as workable and expedient as possible in order that all responsible vendors will be allowed to compete for the City's business.

All statement responses shall be in writing with one (1) original, five (5) copies and one (1) electronic version (CD Rom or USB Drive) of the statement returned in a sealed envelope bearing the name and address of the respondent. Facsimile and/or email transmittals will not be accepted. Response packages will be accepted until **3:00 P.M. on November 4, 2016** and should be addressed to:

City of Killeen
Attn: Purchasing Department
207 A West Ave D
Killeen, Texas 76541

Specifications

The apparent silence of any specification as to any detail or to the apparent omission of a detailed description concerning any point shall be regarded as meaning that only the best commercial practices are to prevail. All interpretations of these specifications shall be made on the basis of this statement. It is the responsibility of the respondent to ask questions or bring up concerns to the City if any specification seems unclear or is lacking detail in any way.

Questions and Inquiries

Questions and inquiries about this RFQ should be directed via email to rjimenez@killeentexas.gov. In the subject line of the email please indicate RFQ 17-04 questions. Questions should be submitted in writing by 3:00 P.M. on the date specified herein.

Addenda

Any interpretations, corrections, or changes to this RFQ will be made by an addendum. All addenda issued will be posted on our City of Killeen website at: <http://www.killeentexas.gov/purchasing>. It shall be the responsibility of the Firm to keep track of all addenda issued for this RFQ. All addenda issued will become a part of the RFQ and the Firm shall submit them within their statement to acknowledge receipt.

Communication

The City shall not be responsible for any verbal communication between any employee of the City and any potential firm. Only written requirements and qualifications will be considered.

Reservations

The City reserves the right to accept or reject any or all statements of qualification as a result of this RFQ, to negotiate with all qualified sources, or to cancel, in part or in its entirety, this RFQ if found in the best interest of the City. All statements become the property of the City of Killeen. A respondent taking exception to the specifications, or offering substitutions, shall state these exceptions by an attachment as part of their statement. The absence of such a listing shall indicate that the respondent has not taken exceptions and shall hold the respondent responsible to perform in strict accordance with the specifications in this RFQ if they are awarded the contract.

Reimbursements

There is no express or implied obligation for the City of Killeen to reimburse responding firms for any expenses incurred in preparing statements in response to this RFQ and City of Killeen will not reimburse responding firms for these expenses, nor will City pay any subsequent costs associated with the provision of any additional information or presentation, or to procure a contract for these services.

Certification

Statements must be completed and submitted as required in this document. The certification form must be fully completed.

Receipt of Statements

The submitted statement must be received by the Purchasing Division prior to the time and date specified. The mere fact that the statement was dispatched will not be considered; the respondent must insure that the statement is actually delivered. All statements received after the deadline will be rejected upon a delivery attempt or returned to the firm unopened.

A statement may not be withdrawn or cancelled by the respondent without the permission of the City of Killeen for a period of ninety (90) days following the date designated for the receipt of their statement, and the respondent agrees to this upon submittal of their statement.

Statements cannot be altered or amended after the submission deadline. Any interlineations, alterations or erasures made before the opening of the statement(s) shall be initialed guaranteeing their authenticity.

The respondent shall sign and date each statement in the packet that is representative of their firm's offer. The person signing the statement must have the authority to bind their firm in a contract. Statements received which are not signed and dated in this manner, may be rejected.

Protest

Any respondent wishing to file a protest concerning alleged improprieties with this solicitation must submit the protest in written format to the Purchasing Division at the address stated herein within 5 business days after the specified time of the RFQ closing. The formal written protest must identify the name of the respondent contesting the solicitation, the name of the RFQ, the RFQ number, and the specific grounds for the protest with all supporting documentation. A response to the protest will be prepared by the Purchasing Division within 10 business days of receipt of the protest. All determinations made by the City are final.

Disclosure

At the public closing time, there will be no disclosure of contents to competing firms, and all statements will be kept confidential during the negotiation process. Except for trade secrets and confidential information which the respondent identifies as proprietary, all statements will be open for public inspection after the contract award. Any item(s) marked proprietary or that contain a trade secret shall be clearly marked in a separate section of the statement.

One or more of the respondents may be asked to appear and make presentations to the selection committee for the purpose of making a final evaluation and recommendation for contract award. However, the City, may in its sole discretion, award a contract without presentations, based solely on information supplied in the statement responses.

Negotiations

Negotiations may be conducted with responsible respondent(s) who submit statements that are reasonably qualified of being selected. All respondent(s) reasonably qualified of being selected based on criteria set forth in this RFQ may be given an opportunity to make a presentation and/or interview with the selection committee. Following any presentation and/or interviews, firms will be ranked in order of preference and contract negotiations will begin with the top ranked firm. Should negotiations with the highest ranked firm fail to yield a contract, or if the firm is unable to execute said contract, negotiations will be formally ended and then commence with the second highest ranked firm, etc. However, the City may in its sole discretion, award a contract without interviews, based solely on information supplied in the statement responses.

Award of the Contract

Award of the contract shall be made to the responsible respondent, whose statement is determined to be the most advantageous offer resulting from negotiations and taking into consideration other factors set forth in this request for qualifications.

Payment Terms

Invoices must be submitted by the vendor to the City of Killeen, Attn: Finance Department, P.O. Box 1329, Killeen, Texas 76540. All invoices are to be paid in full within 30 days after satisfactory delivery of services and billing. The City is exempt by law from payment of Texas Sales Tax and Federal Excise Tax. The selected firm will be paid monthly upon receipt of an accurate account invoice on a Net thirty (30) days basis. Payment will be based on a percentage of net sums received (gross receipts less refunds) by the City for deposit.

If a discrepancy is found on any invoice, the City department will phone your customer service point of contact for correction. Payment of any corrected invoice will be made in thirty (30) days once the corrected invoice has been received, unless the bidder has provided discount payment terms. In no circumstances should any invoice dispute last longer than thirty (30) days.

No down payment or advance payment of any kind shall be made. Payment will be made within 30 days of receipt of an accurate invoice, unless discount payment terms are offered, such as 2% 15 net 30 days.

PAYMENT TERMS: Specify other payment options:

- ☐ Check box if you offer a prompt payment discount: %_____. Specify terms: _____
- ☐ Check box if you accept MasterCard for payment (City of Killeen Procurement Card or P-Card).
- ☐ Check here if the prompt payment discount applies to the MasterCard payment.

Management Changes

Should there be a change in ownership or management, the contract shall be canceled unless a mutual agreement is reached with the new owner or manager to continue the contract with its present provisions and prices. This contract is nontransferable by either party.

OBJECTIVE

The City of Killeen (City) is seeking a response to the Request for Qualifications (RFQ) from qualified firms of certified public accountants to examine its administrative and internal controls for the fiscal years 2006 to 2015. The objective of the examination is to evaluate the City's system of controls to ensure:

- a. Reliability of financial reporting;
- b. Compliance with applicable laws and regulations;
- c. Adequate safeguards of public resources; and
- d. Mitigation against the risk of fraud or misconduct.

The scope of the forensic audit examination should focus of the following City departments:

Phase I

- a. Finance

Phase II

- a. Public Works
- b. Human Resources

BACKGROUND

1. The City serves an area of 55.56 square miles with an estimated population of 144,537. The City's fiscal year begins on October 1 and ends on September 30.
2. The City provides the following services to its citizens:
 - General Government
 - Aviation
 - Water and Sewer
 - Refuse Services
 - Drainage Utility
 - Other Services
3. The City has a total annual payroll of approximately \$60.3 million covering approximately 1300 employees.
4. The City is organized into seventeen (17) departments, including management. The accounting and financial reporting functions of the City are centralized.
5. The City is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. Using these criteria, component units are included in the City's financial statements. The management of the City identifies the following component units for inclusion in the City's financial statements.
Killeen Economic Development Corporation (KEDC) – an entity legally separate from the City, governed by a nine member board of directors appointed by the City Council. KEDC has been included in the reporting entity as a discretely presented component unit of the City because the City appoints a voting majority of the board, provides approximately 60% of funding for the board and maintains the ability to impose its will on the board.
6. Fund Structure – The City uses the following fund types in its financial reporting:
 - General fund
 - Special revenue funds
 - Debt service fund
 - Capital project funds
 - Enterprise funds

- Internal service fund
 - Expendable trust fund
7. The City's budget is prepared on a basis consistent with generally accepted accounting principles.
 8. During fiscal year ended September 30, 2015, the City received the following state and federal financial assistance:
 - U.S. Department of Housing and Urban Development grants
 - U.S. Department of Transportation grants
 - National Highway Traffic Safety Administration grant
 - U.S. Department of Justice grants
 - U.S. Environmental Protection Agency grant
 - U.S. Department of Homeland Security grants
 - TX Department of Transportation grants
 9. The City participates in the following pension plans:
 - Texas Municipal Retirement System (TMRS) – an agent multiple-employer public employee defined benefit pension plan. Actuarial services are provided by TMRS.
 - Firefighter's Relief and Retirement System – a single-employer, defined benefit pension plan. Actuarial services are provided by Rudd & Wisdom.
 10. More detailed information on the government and its finances can be found on the City's website at www.killeentexas.gov or in the Finance Department at 802 N. 2nd Street, Building E, Killeen, TX 76541.

SCOPE OF WORK

1. To accomplish the audit objective, the engagement may include, but not be limited to the following procedures:
 - a. Evaluate the City's formal written internal policies and procedures;
 - b. Review the independent auditors' reports and communications, with respect to fiscal years 2006 to 2015 and also to confer with them on any oral comments provided to management.
 - c. Conduct interviews with City employees and observe the City's business operations for the purpose of evaluating City-wide administrative and internal accounting controls;
 - d. Review the City's documentation and supporting financial records including all enterprise funds; and
 - e. Perform tests of transactions to ensure adherence with prescribed policies and procedures and to validate and test the effectiveness of controls.
2. An overall review of City finances, processes and procedures, including internal controls designed to safeguard the City's assets from theft, misuse and abuse, for the purpose of preparing recommendations for improvements in any areas warranted;
3. City hiring procedures and processes, including internal controls over the hiring process, background checks and the establishment of the employee within the City's payroll system, for the purpose of preparing recommendations for improvements in any areas warranted;
4. Review of overall cash collection procedures and processes, including internal controls, at all cash collection site locations, for the purpose of preparing recommendations for improvements in any areas warranted;
5. The performance of risk assessments in the various areas of City finances not covered in the above individual scope cutouts, with the intent of performing forensic-type data mining and analysis of City finance areas deemed to be at an unacceptably higher risk of fraud than the City is willing to accept, for the purposes of 1) identifying potential fraud risks for further analysis, 2) the durations of any potential frauds identified (if it can be determined cost-effectively), 3) the identification of staff or personnel possibly involved in potential

fraudulent activities, 4) a quantification of the financial loss suffered (if recordkeeping is sufficient to allow for quantification), 5) gathering evidence in documentary form for any potential court proceedings, and 6) preparing recommendations to assist the City in both lowering the risk for potential frauds to occur and to detect such potential frauds that do occur within a timely manner.

6. Depending on the results that are found, the scope may also include recommendations for processes, procedures, and staffing for departments going forward.

SCHEDULE

The City Auditor, in conjunction with the City Attorney, has primary responsibility for audit coordination. She, or her designee, and the successful proposer shall meet and agree, in writing, on the time frame for completing the audit services described in the Scope of Work.

The City of Killeen requires comprehensive responses to every section within this RFQ. Conciseness and clarity of content are emphasized and encouraged. Vague and general proposals will be considered non-responsive and will result in disqualification. To facilitate the review of the responses, firms shall follow the described proposal format. The intent of the proposal format requirements is to expedite review and evaluation. It is not the intent to constrain vendors with regard to content, but to assure that the specific requirements set forth in this RFQ are addressed in a uniform manner amenable to review and evaluation. Failure to arrange the proposal as requested may result in disqualification of the proposal. It is requested that proposals be limited to no more than 50 pages, excluding resumes. All pages of the proposal must be numbered and the proposal must contain an organized, paginated table of contents corresponding to the sections and pages of the proposal.

A. FIRM QUALIFICATIONS AND EXPERIENCE

1. State the legal status of the firm (partnership, corporation, etc.), size of the firm, size of the firm's governmental audit staff, number of years in operation and the location of the office from which the work on this engagement is to be performed.
2. If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.
3. Please describe in detail the current and historical experience the proposer and its subcontractors have that would be relevant to this project. Provide descriptions and references for all engagements of comparable complexity and sensitivity to the requirements of the RFQ that have been conducted within the past five (5) years. References must contain the name, title, company name, address, phone and email of organizations that may be contacted to verify qualifying experience. Please indicate whether the organization is included for the purpose of verifying the proposer's qualifying experience or its subcontractor.
4. Submit a copy of your most recent external quality control review report, with a statement whether that quality control review included a review of specific government engagements. Also provide results of any federal or state desk reviews or field reviews of audits during the past three (3) years. In addition, provide information on the circumstances and statuses of any disciplinary action taken or pending against the firm during the past three (3) years.

B. PERSONNEL QUALIFICATIONS

1. Please include an organizational chart identifying all key personnel who are to be part of the proposed team. Identify the principal supervisory and management staff, including partners, managers, other supervisors and specialists, who would be assigned to this project. Information should be presented in sufficient detail as to provide the City an indication that the personnel involved can perform the work specified in this RFQ. The City reserves the right to approve or reject each member of the team and to request substitutions. For each person, please provide the following:
 - a. Full name;
 - b. Employment history;
 - c. Education and professional licensing of each person as it relates to this project;
 - d. Specific description of what role the individual will have in this project; and
 - e. Any additional helpful information to indicate the individual's ability to aid the proposer in successfully performing the work involved in this RFQ.
2. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years

and membership in professional organizations relevant to the performance of this audit. Indicate how the quality of staff over the term of the agreement will be assured.

3. Identify any existing or potential conflicts of interest relative to the performance of the requirements of this RFQ. Examples would include, but are not limited to, existing business or personal relationships between the proposer, its principal, or any affiliate or subcontractor, with the City, KEDC, or any other entity or person involved in any way in the project that is the subject of this RFQ.

NOTE – Consultants and firm specialists mentioned in response to this request for qualifications can only be changed with the express written permission of the City, which retains the rights to approve or reject replacements. Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

C. PROJECT APPROACH

1. Provide a detailed work plan that includes an explanation of the audit methodology to be followed. In development of the work plan, reference should be made to such sources of information as the City's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.
2. Provide the following information on audit approach:
 - a. Proposed segmentation of the engagement;
 - b. Level of staff and number of hours to be assigned to each proposed segment of the engagement;
 - c. Sample size and the extent to which statistical sampling is to be used in the engagement;
 - d. Type and extent of analytical procedures to be used in the engagement;
 - e. Approach to be taken to gain and document an understanding of the City's internal control structure;
 - f. Approach to be taken in determining laws and regulations that will be subject to audit test work;
 - g. Approach to be taken in drawing audit samples for purposes of tests of compliance.
3. Identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the City.
4. Describe the firm's policies and procedures for assuring high quality work, including monitoring of any proposed sub-contractors.

D. QUALITY OF RESPONSE

Completeness of the response to this RFQ including submission of all checklist documents.

E. EVALUATION AND SELECTION PROCESS

All proposals will be screened by an evaluation committee and the proposers with the three (3) highest combined scores should expect to be interviewed by the Audit Committee or City Council, at the proposer's own expense. Any invitation for an oral presentation will be solely for the purpose of clarifying proposals received from each qualifying proposer, and will not represent any decision on the part of the evaluation committee as to the selection of a successful proposer.

The City will evaluate all responses based on the experience, qualifications, project approach, and quality of response. The City reserves the right to negotiate the final fee prior to recommending any firm for a contract.

The City's process is as follows:

1. The evaluation committee shall screen and rate all of the responses that are submitted. Evaluation ratings will be on a 100 point scale and shall be based on the following criteria:
 - a. Firm Qualifications and Experience (45 points)
 - b. Personnel Qualifications (25 points)
 - c. Project Approach (25 points)
 - d. Quality of Response (5 points)
2. The evaluation committee shall recommend the most qualified firm to the City Council and request authority to enter into contract negotiations.
3. When services and fees are agreed upon, the selected firm shall be offered a contract subject to City Council approval.
4. Should negotiations be unsuccessful, the City shall enter into negotiations with the next, highest ranked firm. The process shall continue until an agreement is reached with a qualified firm.
5. Prior to the approval of an award, no evaluation committee member shall disclose any information regarding the committee's decision.
6. This RFQ does not commit the City to pay for any direct and/or indirect costs incurred in the preparation and presentation of a response. All finalist(s) shall pay their own costs incurred in preparing for, traveling to and attending interviews.

The City reserves the right to use all pertinent information (also learned from sources other than disclosed in the RFQ process) that might affect the City's judgment as to the appropriateness of an award to the best evaluated proposer. This information may be appended to the proposal evaluation process results.

CERTIFICATION

The undersigned affirms that they are duly authorized to execute a contract, that this RFQ has not been prepared in collusion with any other firm, and that the contents of this RFQ have not been communicated to any other firm prior to the official opening of this RFQ. Additionally, the undersigned affirms that the firm is willing to sign the enclosed Standard Form of Agreement (if applicable).

Signed By: _____ Title: _____

Typed Name: _____ Company Name: _____

Phone No.: _____ Fax No.: _____

Email: _____

Address: _____
P.O. Box or Street City State Zip

Order Address: _____
P.O. Box or Street City State Zip

Remit Address: _____
P.O. Box or Street City State Zip

Federal Tax ID No.: _____

Date: _____

Exhibit A

INSURANCE REQUIREMENTS

During the term of this Agreement Contractor's insurance policies shall meet the following requirements:

I. Standard Insurance Policies Required:

- A. Commercial General Liability
- B. Business Automobile Liability
- C. Workers' Compensation

II. General Requirements Applicable to All Policies:

- A. Only Insurance Carriers licensed and admitted to do business in the State of Texas will be accepted.
- B. Deductibles shall be listed on the Certificate of Insurance and are acceptable only on a per occurrence basis for property damage only.
- C. "Claims Made" policies are not accepted.
- D. Each insurance policy shall be endorsed to state that coverage shall not be suspended, voided, canceled, reduced in coverage or in limits except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City of Killeen.
- E. Upon request, certified copies of all insurance policies shall be furnished to the City of Killeen.
- F. The City of Killeen, its officials, employees and volunteers, are to be named as "Additional Insured" to the Commercial General and Business Automobile Liability policies. The coverage shall contain no special limitations on the scope of protection afforded to the City, its officials, employees or volunteers.

III. Commercial General Liability

- A. General Liability insurance shall be written by a carrier with an "A:VIII" or better rating in accordance with the current Best Key Rating Guide.
- B. Limit of \$1,000,000.00 per occurrence for bodily injury and property damage with an annual aggregate limit of \$2,000,000.00 which limits shall be endorsed to be per Project.
- C. Coverage shall be at least as broad as ISO form GC 00 01.
- D. No coverage shall be excluded from the standard policy without notification of individual exclusions being attached for review and acceptance.

- E. The coverage shall include but not be limited to the following:
premises/operations with separate aggregate; independent contracts;
products/completed operations; contractual liability (insuring the indemnity
provided herein) Host Liquor Liability, Personal & Advertising Liability;
and Explosion, Collapse, and Underground coverage.

IV. Business Automobile Liability

- A. Business Automobile Liability insurance shall be written by a carrier with an
“A:VIII” or better rating in accordance with the current Best Key Rating Guide.
- B. Minimum Combined Single Limit of \$1,000,000.00 per occurrence for bodily
injury and property damage.
- C. Coverage shall be at least as broad as Insurance Service’s Office Number CA 00
01.
- D. The Business Auto Policy must show Symbol 1 in the Covered Autos Portion of
the liability section in Item 2 of the declarations page.
- E. The coverage shall include owned autos, leased or rented autos, non-owned autos,
any autos and hired autos.
- F. Pollution Liability coverage shall be provided by endorsement MCS-90, with a
limit of \$1,000,000.00.

- V. Those policies set forth in Paragraphs III and IV shall contain an endorsement naming
the City as Additional Insured and further providing that the Contractor’s policies are
primary to any self-insurance or insurance policies procured by the City. The additional
insured endorsement shall be in a form at least as broad as ISO form GC 2026. Waiver of
subrogation in a form at least as broad as ISO form 2404 shall be provided in favor of the
City on all policies obtained by the Contractor in compliance with the terms of this
Agreement. Contractor shall be responsible for all deductibles which may exist on any
policies obtained in compliance with the terms of this Agreement. All coverage for
subcontractors shall be subject to the requirements stated herein. All Certificates of
Insurance and endorsements shall be furnished to the City’s Representative at the time
of execution of this Agreement, attached hereto as Exhibit C, and approved by the City
before work commences.

VI. Workers Compensation Insurance

- A. Pursuant to the requirements set forth in Title 28, Section 110.110 of the Texas
Administrative Code, all employees of the Contractor, all employees of any and
all subcontractors, and all other persons providing services on the Project must be
covered by a workers’ compensation insurance policy: either directly through
their employer’s policy (the Contractor’s or subcontractor’s policy) or through an
executed coverage agreement on an approved Texas Department of Insurance
Division of Workers Compensation (DWC) form. Accordingly, if a subcontractor
does not have his or her own policy and a coverage agreement is used, contractors
and subcontractors must use that portion of the form whereby the hiring
contractor agrees to provide coverage to the employees of the subcontractor. The

portion of the form that would otherwise allow them not to provide coverage for the employees of an independent contractor may not be used.

B. Workers compensation insurance shall include the following terms:

1. Employer's Liability minimum limits of \$1,000,000.00 for each accident/each disease/each employee are required.
2. "Texas Waiver of Our Right to Recover From Others Endorsement, WC 42 03 04" shall be included in this policy.
3. Texas must appear in Item 3A of the Workers Compensation coverage or Item 3C must contain the following: All States except those listed in Item 3A and the States of NV, ND, OH, WA, WV, and WY.

C. Pursuant to the explicit terms of Title 28, Section 110.110(c) (7) of the Texas Administrative Code, the bid specifications, this Agreement, and all subcontracts on this Project must include the following terms and conditions in the following language, without any additional words or changes, except those required to accommodate the specific document in which they are contained or to impose stricter standards of documentation:

A. *Definitions:*

Certificate of coverage ("certificate") – An original certificate of insurance, a certificate of authority to self-insure issued by the Division of Workers Compensation, or a coverage agreement (DWC-81, DWC-83, or DWC-84), showing statutory workers' compensation insurance coverage for the person's or entity's employees providing services on a project, for the duration of the project.

Duration of the project - includes the time from the beginning of the work on the project until the Contractor's/person's work on the project has been completed and accepted by the governmental entity.

Persons providing services on the project ("subcontractors" in § 406.096 [of the Texas Labor Code]) - includes all persons or entities performing all or part of the services the Contractor has undertaken to perform on the project, regardless of whether that person contracted directly with the Contractor and regardless of whether that person has employees. This includes, without limitation, independent Contractors, subcontractors, leasing companies, motor carriers, owner-operators, employees of any such entity, or employees of any entity which furnishes persons to provide services on the project. "Services" include, without limitation, providing, hauling, or delivering equipment or materials, or providing labor, transportation, or other service related to a project. "Services" does not include activities unrelated to the project, such as food/beverage vendors, office supply deliveries, and delivery of portable toilets.

B. *The Contractor shall provide coverage, based on proper reporting of classification codes and payroll amounts and filing of any coverage agreements, that meets the statutory requirements of Texas Labor Code, Section 401.011(44) for all employees of the Contractor providing services on the project, for the duration of the project.*

- C. *The Contractor must provide a certificate of coverage to the governmental entity prior to being awarded the contract.*
- D. *If the coverage period shown on the Contractor's current certificate of coverage ends during the duration of the project, the Contractor must, prior to the end of the coverage period, file a new certificate of coverage with the governmental entity showing that coverage has been extended.*
- E. *The Contractor shall obtain from each person providing services on a project, and provide to the governmental entity:*
 - (1) *a certificate of coverage, prior to that person beginning work on the project, so the governmental entity will have on file certificates of coverage showing coverage for all persons providing services on the project; and*
 - (2) *no later than seven calendar days after receipt by the Contractor, a new certificate of coverage showing extension of coverage, if the coverage period shown on the current certificate of coverage ends during the duration of the project.*
- F. *The Contractor shall retain all required certificates of coverage for the duration of the project and for one year thereafter.*
- G. *The Contractor shall notify the governmental entity in writing by certified mail or personal delivery, within 10 calendar days after the Contractor knew or should have known, or any change that materially affects the provision of coverage of any person providing services on the project.*
- H. *The Contractor shall post on each project site a notice, in the text, form and manner prescribed by the Division of Workers Compensation, informing all persons providing services on the project that they are required to be covered, and stating how a person may verify coverage and report lack of coverage.*
- I. *The Contractor shall contractually require each person with whom it contracts to provide services on a project, to:*
 - (1) *provide coverage, based on proper reporting of classification codes and payroll amounts and filing of any coverage agreements, that meets the statutory requirements of Texas Labor Code, Section 401.011(44) for all of its employees providing services on the project, for the duration of the project;*
 - (2) *provide to the Contractor, prior to that person beginning work on the project, a certificate of coverage showing that coverage is being provided for all employees of the person providing services on the project, for the duration of the project;*
 - (3) *provide the Contractor, prior to the end of the coverage period, a new certificate of coverage showing extension of coverage, if the coverage period shown on the current certificate of coverage ends during the duration of the project;*

- (4) *obtain from each other person with whom it contracts, and provide to the Contractor:*
 - (a) *A certificate of coverage, prior to the other person beginning work on the project; and*
 - (b) *A new certificate of coverage showing extension of coverage, prior to the end of the coverage period, if the coverage period shown on the current certificate of coverage ends during the duration of the project;*
- (5) *retain all required certificates of coverage on file for the duration of the project and for one year thereafter;*
- (6) *notify the governmental entity in writing by certified mail or personal delivery, within 10 calendar days after the person knew or should have known, of any change that materially affects the provision of coverage of any person providing services on the project; and*
- (7) *Contractually require each person with whom it contracts to perform as required by paragraphs (a) - (g), with the certificates of coverage to be provided to the person for whom they are providing services.*
- J. *By signing this contract, or providing, or causing to be provided a certificate of coverage, the Contractor is representing to the governmental entity that all employees of the Contractor who will provide services on the project will be covered by workers' compensation coverage for the duration of the project; that the coverage will be based on proper reporting of classification codes and payroll amounts; and that all coverage agreements will be filed with the appropriate insurance carrier or, in the case of a self-insured, with the Commission's Division of Self-Insurance Regulation. Providing false or misleading information may subject the Contractor to administrative penalties, criminal penalties, civil penalties, or other civil actions.*
- K. *The Contractor's failure to comply with any of these provisions is a breach of contract by the Contractor that entitles the governmental entity to declare the contract void if the Contractor does not remedy the breach within ten calendar days after receipt of notice of breach from the governmental entity."*

VII. Certificates of Insurance shall be prepared and executed by the insurance company or its authorized agent, and shall contain the following provisions and warranties:

- A. The company is licensed and admitted to do business in the State of Texas.
- B. The insurance policies provided by the insurance company are underwritten on forms that have been provided by the Texas State Board of Insurance or ISO.
- C. All endorsements and insurance coverages according to requirements and instructions contained herein.
- D. The form of the notice of cancellation, termination, or change in coverage provisions to the City of Killeen.
- E. Original endorsements affecting coverage required by this section shall be furnished with the certificates of insurance

Exhibit B

Conflict of Interest

CONFLICT OF INTEREST QUESTIONNAIRE

For vendor doing business with local governmental entity

FORM CIQ

This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.

This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a).

By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.

A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.

OFFICE USE ONLY

Date Received

1 Name of vendor who has a business relationship with local governmental entity.

2 ☐ Check this box if you are filing an update to a previously filed questionnaire. (The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)

3 Name of local government officer about whom the information is being disclosed.

Name of Officer

4 Describe each employment or other business relationship with the local government officer, or a family member of the officer, as described by Section 176.003(a)(2)(A). Also describe any family relationship with the local government officer. Complete subparts A and B for each employment or business relationship described. Attach additional pages to this Form CIQ as necessary.

A. Is the local government officer or a family member of the officer receiving or likely to receive taxable income, other than investment income, from the vendor?

☐ Yes

☐ No

B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer or a family member of the officer AND the taxable income is not received from the local governmental entity?

☐ Yes

☐ No

5 Describe each employment or business relationship that the vendor named in Section 1 maintains with a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership interest of one percent or more.

6 ☐ Check this box if the vendor has given the local government officer or a family member of the officer one or more gifts as described in Section 176.003(a)(2)(B), excluding gifts described in Section 176.003(a-1).

7

Signature of vendor doing business with the governmental entity

Date

CONFLICT OF INTEREST QUESTIONNAIRE

For vendor doing business with local governmental entity

A complete copy of Chapter 176 of the Local Government Code may be found at <http://www.statutes.legis.state.tx.us/ Docs/LG/htm/LG.176.htm>. For easy reference, below are some of the sections cited on this form.

Local Government Code § 176.001(1-a): "Business relationship" means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:

- (A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;
- (B) a transaction conducted at a price and subject to terms available to the public; or
- (C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

Local Government Code § 176.003(a)(2)(A) and (B):

(a) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:

(2) the vendor:

(A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that

(i) a contract between the local governmental entity and vendor has been executed;

or

(ii) the local governmental entity is considering entering into a contract with the vendor;

(B) has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that:

(i) a contract between the local governmental entity and vendor has been executed; or

(ii) the local governmental entity is considering entering into a contract with the vendor.

Local Government Code § 176.006(a) and (a-1)

(a) A vendor shall file a completed conflict of interest questionnaire if the vendor has a business relationship with a local governmental entity and:

(1) has an employment or other business relationship with a local government officer of that local governmental entity, or a family member of the officer, described by Section 176.003(a)(2)(A);

(2) has given a local government officer of that local governmental entity, or a family member of the officer, one or more gifts with the aggregate value specified by Section 176.003(a)(2)(B), excluding any gift described by Section 176.003(a-1); or

(3) has a family relationship with a local government officer of that local governmental entity.

(a-1) The completed conflict of interest questionnaire must be filed with the appropriate records administrator not later than the seventh business day after the later of:

(1) the date that the vendor:

(A) begins discussions or negotiations to enter into a contract with the local governmental entity; or

(B) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity; or

(2) the date the vendor becomes aware:

(A) of an employment or other business relationship with a local government officer, or a family member of the officer, described by Subsection (a);

(B) that the vendor has given one or more gifts described by Subsection (a); or

(C) of a family relationship with a local government officer.